

Convertible Fund Quarterly Commentary



Fund Overview

Leveraging more than four decades of experience in convertibles, the fund invests primarily in convertible securities of US and foreign companies without regard to market cap.

Market Overview

Stocks and convertibles rebounded strongly in the fourth quarter, as reflected in the 11.69% return of the S&P 500 Index and the 6.79% return of the ICE BofA All US Convertibles Index. Equity market performance was linked to changing interest rates during the quarter. When yields rose in October, stocks fell sharply, and when yields narrowed through the remainder of the year, stocks rallied. The December Federal Reserve meeting also boosted markets as investors cheered Federal Reserve Chair Jerome Powell's remarks indicating that the Fed would pivot from its tightening policy toward easing and signaled three interest rate cuts in 2024.

Small and mid-cap stocks rose an impressive 13.35%, as represented by the Russell 2500 Index. The strong performance by small and mid-cap companies supported the convertible market, which has a heavy representation in small and mid-cap issuers. The underlying stocks of the ICE BofA All US Convertibles Index outperformed the broader equity market, increasing 16.25% on average in the fourth quarter.

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DATA AS OF 12/31/23

CALAMOS CONVERTIBLE FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos Convertible Fund							
I Shares - at NAV (Inception—6/25/97)	6.24	10.92	-2.61	10.43	7.25	7.84	N/A
A Shares - at NAV (Inception—6/21/85)	6.16	10.59	-2.86	10.15	6.98	N/A	8.89
A Shares Load adjusted	3.77	8.12	-3.60	9.65	6.46	N/A	8.76
ICE BofA All US Convertibles Index	6.67	12.87	-0.82	11.93	8.90	8.02	N/A
S&P 500 Index	11.69	26.29	10.00	15.69	12.03	8.55	11.16
Morningstar Convertibles Category	5.89	8.97	-2.06	9.88	7.21	6.93	8.42

Index and Morningstar category data shown reflects full month periods only. If share class inception date is on or before the 15th of the month, the index or category calculation inception date begins on the first day of that month. If share class inception date is after the 15th of the month, the index or category calculation inception date begins on the first day of the following month.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 2.25%. Had it been included, the Fund's return would have been lower. You can obtain performance data current to the most recent month end by visiting www.calamos.com.

The funds' gross expense ratio is as of the prospectus dated 3/1/2023 are as follows: 1.10% for A Shares and 0.85% for I Shares.

Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least \$1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Convertibles with the most equity sensitivity (+11.6%) outperformed convertibles with balanced risk/reward attributes (+8.0%) and those with the most credit sensitivity (+4.8%). At the end of the quarter, convertibles with the most bond sensitivity represented 52% of the market, which exceeded the combined portions of convertibles with balanced risk-reward (33%) and equity-sensitive (15%) attributes.

From an economic sector perspective, convertibles within the materials (+12.7%), real estate (+9.2%), and information technology (+9.0%) sectors performed best within the index, whereas convertibles in the energy (-5.7%), consumer staples (+2.1%), and communication services (+2.2%) sectors most lagged the index result. Investment-grade-rated convertibles (+6.4%) outperformed speculative-grade issues (+1.9%), though it should be noted that roughly 78% of the US convertible market was unrated at the end of the fourth quarter according to data provided by ICE BofA.

In the fourth quarter, \$18.2 billion in new convertibles were brought to market globally. The United States led convertible issuance higher with \$12.3 billion, Europe raised \$3.4 billion in issuance, while Japan and Asia ex-Japan each introduced \$1.2 billion. 2023 issuance totaled \$79.4 billion, more than double the 2022 calendar year total of \$39.5 billion. Of that total, \$53.4 billion was issued in the US, \$13.4 billion in Europe, \$9.0 billion in Asia, and \$3.6 billion in Japan. These new convertible issues came to market with attractive terms, including higher coupons and lower conversion premiums.

Performance Review

For the quarter ended December 31, 2023, the fund returned 6.24% (Class I shares at NAV) versus the ICE BofA All US Convertibles Index return of 6.67%.

Positive Influences on Performance

Industrials. The fund's security selection and an average underweight stance in industrials boosted relative returns. Specifically, passenger ground transportation and our lack of representation in electrical components & equipment promoted relative returns.

Health Care. Favorable security selection and an average overweight stance in health care, specifically in the health care equipment and health care services industries contributed to performance.

Negative Influences on Performance

Utilities. Over the period, security selection and an average underweight allocation within the utilities sector weakened return. In particular, positions in the independent power producers & energy traders industry and the electric utilities industry lagged.

Materials. Security selection within the steel and diversified metals & mining industries of the materials sector lost ground on a relative basis.

Fund Holdings - Contributors

Dexcom Inc. (DXCM)

0.375% Convertible due 2028 | 4.1% of fund as of 12/31/23

Profile: Dexcom Inc. is a medical device company focused on the design, development, and commercialization of continuous glucose monitoring systems in the United States and internationally. Dexcom Inc. was incorporated in 1999 and is headquartered in San Diego, California.

Analysis: Shares of Dexcom rallied midway through the quarter after the company reported higher-than-expected earnings and raised forward guidance in addition to announcing a \$500 million share buyback program. We regard Dexcom as a company that offers best-in-class continuous glucose monitoring devices, which are becoming the standard of care in the large diabetes market. While penetration of continuous glucose monitoring has grown rapidly in Type 1 diabetes and is now approaching 60% in the US, we also believe Dexcom has a huge market opportunity in the underpenetrated Type 2 diabetes patient population in the US. Additionally, there's a highly underpenetrated international opportunity, which we expect will lead to sustained revenue growth. The convertible offers a favorable yield advantage over the common stock, which does not pay a dividend.

Palo Alto Networks Inc. (PANW)

0.375% Convertible due 2024 | 2.1% of fund as of 12/31/23

Profile: Palo Alto Networks Inc. provides cybersecurity solutions worldwide. The company was incorporated in 2005 and is headquartered in Santa Clara, California.

Analysis: Palo Alto Networks reported mixed results with a lowered billings guidance in its recent quarter, mainly due to shorter contract duration and increased demand for deferred financing (both of which impact the billings calculation). Win rates and churn remained stable, which is evidence of a strong demand backdrop. The growth part of the business, NGS, showed upside versus consensus, and Palo Alto Networks is seeing traction with large deals. We view Palo Alto Networks as a leading cybersecurity company with a best-of-breed platform approach that is taking market share. The company's Cloud Security, Cortex, and Secure Access Service Edge franchises are all on pace to be \$1 billion businesses, which we expect to drive durable revenue growth over the next several years. The convertibles provide an attractive means of participating in any upside of Palo Alto Network's common stock.

Fund Holdings - Detractors

BILL Holdings Inc. (BILL)

0% Convertible due 2025 | 1.7% of fund as of 11/30/23

Profile: BILL Holdings Inc. provides financial automation software for small and midsize businesses worldwide. The company offers software-as-a-service, cloud-based payments, and spend management products, allowing users to automate accounts payable and accounts receivable transactions, and

connect with their suppliers and customers to do business, eliminate expense reports, manage cash flows, and improve office efficiency. BILL Holdings Inc. was incorporated in 2006 and is headquartered in San Jose, California.

Analysis: Despite reporting strong earnings results, which beat analyst expectations, shares of BILL declined after the company reported weaker-than-expected forward guidance. BILL's full-year revenue cut and weaker guidance were the result of macro headwinds that impacted BILL's outlook in three ways. First, the company proactively lowered credit limits in its spending card business. Second, the firm cut discretionary spending among its SMB-levered customer base. Third, suppliers chose to get paid via lower-cost payment methods, which impacts the company's take rate. We view BILL as a leading provider of cloud-based software for small businesses to automate/manage their financial back office, which is an \$80 billion total addressable market with low penetration. The company's unique go-to-market approach through accounting vendors and financial institutions has allowed it to scale with small and medium-sized businesses and obtain a leading market share versus its peers. Going forward, the primary growth drivers for BILL going forward are new customer additions, payments take rate expansion through mix shift, and upselling within subscriptions. The convertible trades at a discount to its par value and offers an attractive yield to maturity while providing some upside opportunity through the conversion option should BILL's common stock price increase.

Nabors Industries Ltd. (NBR)

1.75% Convertible due 2029 | 0.5% of fund as of 11/30/23

Profile: Nabors Industries Ltd. provides drilling and drilling-related services for land-based and offshore oil and natural gas wells in the United States and internationally. The company marketed approximately 300 rigs for land-based drilling operations and 29 rigs for offshore platform drilling operations. Nabors Industries Ltd. was founded in 1952 and is based in Hamilton, Bermuda.

Analysis: Shares of Nabors Industries declined after the company reported earnings that slightly missed analyst expectations on softer North American oil rig activity. That said, rig activity is expected to be in a troughing process in North American land, and pricing is expected to be stable this year, which, when combined with structural cost improvements, should support continued rig margin expansion going forward. Additionally, free cash flow generation continues to be attractive, allowing NBR to pay down nearer-term debt issues, extend the maturity runway, and improve its credit profile. The convertible offers an attractive 8% yield to maturity and an attractive risk-reward profile relative to Nabors' underlying stock.

Positioning and Portfolio Changes

Given the macro backdrop, we remain vigilant and actively manage the risk/reward tradeoffs within the portfolio. Broadening equity market leadership would be particularly beneficial to small and mid-cap growth companies, which are well represented in the convertible universe. We believe balanced convertibles—those with a favorable asymmetric payoff profile that delivers attractive upside equity participation with less exposure to downside moves—offer the most attractive way to gain exposure to this market segment.

Technology, health care, and consumer discretionary are the portfolio's largest sector allocations. Reflecting our strong focus on bottom-up company analysis, we favor companies executing well despite macro uncertainties, improving their margins and free cash flow, accelerating returns on invested capital, and offering attractive equity valuations. We also focus on identifying innovative companies positioned to benefit from cyclical and secular themes that can serve as beacons in uncertain times. These include companies advantageously positioned as businesses seek solutions to higher labor, manufacturing, and interest costs in the current economic environment—and leveraging trends in artificial intelligence (AI), productivity enhancements, cybersecurity, and electric vehicle adoption. We expect the convertible market will provide opportunities to participate in these fast-growing trends for years. Consumer staples, real estate, and materials represent the smallest sector allocations in the portfolio, given these sectors currently have relatively small representation in the convertible market.

The utilities allocation increased during the period, and the weight to industrials also rose modestly with increased weights in electric utilities and passenger ground transportation. The information technology allocation was reduced during the period, while the weight to consumer discretionary also decreased modestly.

Outlook

Markets ended 2023 on a high note with risk assets benefiting from a perceived US central bank policy pivot toward a more balanced monetary approach. Heading into 2024, we are cautiously optimistic -that the Fed's inflation-fighting efforts have largely achieved the central bank's goal, and the economy remains on a solid footing. We believe this likely sets up a soft-landing scenario that can provide a further tailwind for risk assets. That said, we will continue to monitor conditions closely as soft landings have been historically difficult to achieve, and investors have been quick to overshoot both on the up and down recently, which can contribute to heightened volatility in markets. Additionally, the new year carries unique risks, including what will likely be a contentious US presidential election that could impact fiscal policies for years to come.

We were excited that convertible new issuance accelerated to longer-term historical trends in 2023. Investment-grade companies were particularly active and came to the convertible market at a faster pace than we have seen in many years. We think this will broaden out in 2024, given the sizable amount of traditional debt maturing in the coming years. Much of this debt carries low coupons, and companies will face higher refinancing costs given the environment of increased interest rates across the curve. We view these as win-win scenarios as issuers can benefit from lower borrowing costs of issuing convertibles versus traditional bonds, and investors can benefit from more normal coupon rates and lower conversion premiums.

For additional information or to download a fact sheet, please visit the fund's profile page:

[CICVX - Convertible Mutual Fund | Calamos Investments](#)

Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

Index Definitions

The **Cboe Volatility Index** or VIX (based on its CBOE ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 Index options. The **ICE BofA All US Convertibles Index (VXA0)** comprises approximately 700 issues of convertible bonds and preferreds of all qualities and measures the return of all US convertibles. The **Bloomberg Barclays US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Convertible Fund** include a potential decline in the value of convertible securities during periods of rising interest rates and the possibility of the borrower missing payments. The credit standing of the issuer and other factors may also affect a convertible security's investment value. Synthetic convertible instruments may fluctuate and perform inconsistently with an actual convertible security, and components of a synthetic convertible can expire worthless. The Fund may also be subject to foreign securities risk, equity securities risk, credit risk, high yield risk, portfolio selection risk and liquidity risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

CALAMOS[®]
INVESTMENTS

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